



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

March 8, 2001

CERTIFIED RETURN RECEIPT
7000 0520 0021 7482 8722

Daniel Sheppard
GoldTerra, Inc.
4088 East Airport Road
Price, Utah 84501

Re: Large Mine Permit Review, Remaining Technical Concerns, GoldTerra, Inc., Blue Castle Mine,
M/015/077, Emery County, Utah

Dear Mr. Sheppard:

Please accept our apology for the unforeseen delay in providing a written response to your latest (November 16, 2000) revised mine plan application. We have been waiting for a break in the winter weather conditions that would allow us to schedule another field inspection of the project area to jointly investigate and discuss the remaining technical concerns. Because we cannot anticipate when that weather break may occur, we wanted you to have a written summary of our current position regarding the technical completeness of the Blue Castle Mine permit application.

As you know, one of the last technical issues to be resolved before the Division can issue tentative approval for the Blue Castle Mine concerns the determination of salvageable soils within the project area. Technical information provided by GoldTerra in the original Notice of Intention (April 26, 2000), the subsequent soils report (August 9, 2000), and supplemental information (November 16, 2000) have been reviewed by the Division. On May 16, 2000, the site was inspected by Dan Larsen, EIS - representing GoldTerra, Dean Nyffeler and Mike Kaminski of the BLM, Lynn Kunzler and Jared Sorensen of the Division.

Based upon the technical information provided to date and observations made during our site inspection, we are of the opinion that there are salvageable soil resources on site. Accordingly, we have requested that the top 6 - 8 inches of surficial soil material be salvaged from the area to be mined, and 1-foot of soil salvaged from the main facilities area. GoldTerra has stated that the soils on the area to be mined are considered 'ore' and will be removed for processing. To date, we have received no substantive technical documentation to support this claim. Our alternative suggestion that other plant growth materials be amended to enhance post-mining revegetation success has been rejected by GoldTerra as being too costly.

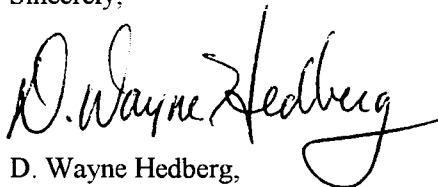
Page 2
Daniel Sheppard
M/015/077
March 8, 2001

Based upon our last analysis, we disagree with the assertion that the level of existing vegetation within the project area (or portions thereof) is insignificant. The technical data provided to date indicates there is suitable soil material available that could be used for reclamation (revegetation), or other onsite materials (e.g., subsoil and/or processing waste) that could be amended to support revegetation efforts. If GoldTerra refuses to salvage the top 6-8 inches of suitable plant growth material now covering the proposed mine area, then we believe substitute materials should be amended to help ensure successful post-mining revegetation efforts.

We have calculated a preliminary reclamation cost estimate (see attached copy) based on salvaging the available soil resources and are prepared to grant tentative approval of the application with the operator's concurrence. We recognize that the federal land managing agency (BLM) also has jurisdiction over the proposed project area. It is our understanding that the BLM's Environmental Assessment (EA) of the project has been suspended until the State (i.e., Division) is prepared to issue tentative approval of the project. If and when supplemental technical information is provided which would suggest that our technical findings are in error, we would be willing to renegotiate our present position. We are also prepared to support the BLM's ultimate decision in this matter, as the land managing agency.

We will await your written reply before we proceed to prepare the tentative approval documentation for this project. We are at your disposal should you wish to discuss this matter further. Please contact me, Tony Gallegos or Lynn Kunzler of my staff at: (801) 538-5286, 538-5267 and 538-5310 respectively, if you need additional clarification in this regard.

Sincerely,



D. Wayne Hedberg,
Permit Supervisor
Minerals Reclamation Program

jb
attachment: reclamation surety cost estimate
cc: Dan Guy, GoldTerra, Inc.
Dean Nyffeler, BLM, Price FO
Mary Ann Wright, OGM
Minerals staff (route)
M15-77 soil ltr

RECLAMATION SURETY ESTIMATE

GoldTerra Inc.

last revision

12/07/00

Blue Castle Mine

filename M015-077.WB2

M/015/077

Emery County

Prepared by Utah State Division of Oil, Gas & Mining

-This estimate uses a D9 size dozer for most earthwork

Equipment Removal includes Cat, 2 loaders, conveyor components, trailers, & trucks

Note: actual unit costs may vary according to site conditions last unit cost update 2-Aug-2000

-Amount of disturbed area which will receive reclamation treatments = 82.6 acres

-Estimated total disturbed area for this mine = 135.56 acres

Activity	Quantity	Units	\$/unit	\$	Note
Safety gates, signs, etc. (mtls & installation)	2	sum	200	400	(1)
Removal of Facilities (Trailers-Tanks-Conveyors) **	1	lump sum	0.24	3,551	(2)
Debris & equipment removal - trucking **	6	trips	400	2,400	(3)
Debris & equipment removal - dump fees **	10	ton	55	550	(4)
Debris & equipment removal - loading trucks w/FE loader	10	hours	166	1,660	(5)
Demolition & debris removal - general labor **	8	hours	32.55	260	(6)
Regrading facilities areas	6.9	acre	364	2,515	(7)
Ripping pit floors	49.9	acre	271	13,523	(9)
Ripping pit access roads	0.70	acre	271	190	(9)
Ripping access roads - dozer	1.06	acre	271	287	(9)
Recontouring site - dozer **	19392	CY	3.35	64,963	(7)
Topsoil replacement - FE loader **	5178	CY	3.54	18,330	(14)
Topsoil replacement - Scraper	60000	CY	1.15	69,000	(00)
Ground Prep prior to seeding/scarifying **	24.0	acre	188.18	4,524	(00)
Drill seeding **	73.9	acre	958.32	70,820	(00)
General site cleanup & trash removal	25.0	acre	50	1,250	(00)
Equipment mobilization	4	equip	1000	4,000	(00)
Reclamation Supervision	19	days	386	7,141	(15)
		Subtotal		265,365	
10% Contingency				26,536	
		Subtotal		\$291,901	
Escalate for 5 years at 3.13% per yr				48,633	
		Total		\$340,534	
		Rounded surety amount in yr 2005-\$		\$340,500	
Average cost per disturbed acre =		\$2,512			

** Cost figures furnished by GoldTerra

RECLAMATION SURETY ESTIMATE

GoldTerra Inc.

Blue Castle Mine

M/015/077

last revision

08/02/00

filename M015-077.WB2

Emery County

Prepared by Utah State Division of Oil, Gas & Mining

Note

- (1) DOGM lump sum assumed
- (1) DOGM lump sum assumed
- (2) Means Heavy Construction Cost Data 2000, 02220-100-0100, mix of bldg. types, avg., excluding dump fees
- (3) Means 2000, 02225-730-5100, bldg demo, rubbish handling, \$0.50/CY permile for >8CY truck; assumed 100 miles round trip
- (4) Means 2000, 02225-740-0100, dump charges, typical urban city, tipping fees only, bldg construction mtls
- (5) Rental Rate Blue Book 3Q/00, Cat 988B, 7CY \$85.64hr+\$39.60/hr, & Means 2000, Crew B-10U, loading trucks only\$40.87
- (6) DOGM assumed wage for unskilled general labor
- (7) Means 2000 & Blue Book 3Q/00: Cat D9N, U, mtl 2550 lb/CY, 50 ft push, 1 ft depth
- (8) Means 2000 & Blue Book 3Q/00: Cat D9N, U, mtl 2550 lb/CY, 100 ft push
- (9) Means 2000 & Blue Book 3Q/00: Cat D9N, U, multi shank rippers, speed 1.0 mph
- (9) Means 2000 & Blue Book 3Q/00: Cat D9N, U, multi shank rippers, speed 1.0 mph
- (9) Means 2000 & Blue Book 3Q/00: Cat D9N, U, multi shank rippers, speed 1.0 mph
- (9) Means 2000 & Blue Book 3Q/00: Cat D9N, U, multi shank rippers, speed 1.0 mph
- (10) Means 2000 & Blue Book 3Q/00: Cat D9N, U, mtl 2550 lb/CY, 50 ft push, avg vol 0.5CY/LF-berm assumed
- (9) Means 2000 & Blue Book 3Q/00: Cat D9N, U, multi shank rippers, speed 1.0 mph
- (7) Means 2000 & Blue Book 3Q/00: Cat D9N, U, mtl 2550 lb/CY, 50 ft push, 1 ft depth
- (11) Contractor's actual costs, 1991 at E/053/012 escalated to 2000-\$, Cat 225 Excavator, 20 ft wide road
- (10) Means 2000 & Blue Book 3Q/00: Cat D9N, U, mtl 2550 lb/CY, 50 ft push, avg vol 0.5CY/LF-berm assumed
- (12) Means 2000 & Blue Book 3Q/00: Cat D9N, U, mtl 2550 lb/CY, 100 ft push
- (13) Means 2000 & Blue Book 3Q/00: Cat 627F P-P, mtl 2550 lb/CY, 2,000 ft haul one-way, grade +/- 4%,
- (14) Means 2000 02320-200-2030: earthwork, hauling excavated or borrow material, off highway hauler, 22 CY, 1 mile round trip, no loading included
- (00) DOGM general estimate - mulching
- (00) DOGM general estimate - fertilizing
- (00) DOGM general estimate - manure \$16/ton delivered, \$14 ton/acre spreading
- (00) DOGM general estimate - broadcast seeding
- (00) DOGM general estimate - drill seeding
- (00) DOGM general estimate - hydroseeding
- (00) DOGM general estimate - site cleanup & trash removal
- (00) DOGM general estimate - equipment mobilization
- (15) Means 2000, 01300-700-0180, project manager, minimum \$1,930/wk